

Secret Agreement Between Smith, IRS

San Diego

Attorneys for the Government and financier C. Arnholt Smith reached a secret agreement yesterday to delete a demand by the Internal Revenue Service for immediate payment of \$22.8 million.

The agreement let stand the federal tax claim but bound the IRS to proceed as it normally would against any taxpayer instead of using the "jeopardy assess-

ment" demand for immediate payment by Smith, a close friend of President Nixon.

The IRS filed the \$22.8 million tax lien against Smith, former president and chairman of Westgate-California Corp., August 3. The IRS claimed Smith owed that amount in unpaid taxes and penalties for 1969.

An IRS spokesman said the jeopardy assessment, a rarely used power, laid immediate claim to Smith's as-

sets. The spokesman said such an assessment was used only when the IRS feared it might not get the money otherwise.

Smith responded by suing for a preliminary injunction to block the IRS claim. His attorneys huddled with their government counterparts Thursday and early yesterday.

The result was submission

of a stipulation against the IRS.

Terms of the agreement were not disclosed, but the court and attorneys said it permitted Smith to operate his businesses as usual, that a different type of security had been submitted to replace the tax liens and that the IRS would proceed against Smith in a normal manner.

*United Press*